

HOUSE FILE _____
BY VAN FOSSEN

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the deduction of the capital gain from the
2 sale of capital investments made in or by certain businesses
3 and including an applicability date provision.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 1752YH 82
6 mg/je/5

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1 1 Section 1. Section 422.7, Code 2007, is amended by adding
1 2 the following new subsection:
1 3 NEW SUBSECTION. 50. Subtract the capital gain from the
1 4 following:
1 5 a. The sale of an equity investment in a business if all
1 6 of the following requirements are met:
1 7 (1) The equity investment is held for a period of thirty=
1 8 six months or more from the date of acquisition.
1 9 (2) A credit is not claimed on the investment under
1 10 section 422.11F, 422.11G, or 422.11Q.
1 11 (3) The deduction under this paragraph "a" is in lieu of
1 12 any deduction under section 1202 of the Internal Revenue Code.
1 13 b. If the adjusted gross income computed for federal
1 14 income tax purposes includes income or loss from a business
1 15 operated by the taxpayer, the sale of a building, land, or
1 16 machinery and equipment used in the operation of the business
1 17 if the building, land, or machinery and equipment are held for
1 18 a period of thirty=six months or more from the date of
1 19 acquisition.
1 20 An individual may claim the capital gain deduction of a
1 21 partnership, S corporation, limited liability company, estate,
1 22 or trust electing to have the income taxed directly to the
1 23 individual. The amount claimed by the individual shall be
1 24 based upon the pro rata share of the individual's earnings of
1 25 a partnership, S corporation, limited liability company,
1 26 estate, or trust.
1 27 Sec. 2. Section 422.35, Code 2007, is amended by adding
1 28 the following new subsection:
1 29 NEW SUBSECTION. 23. Subtract the capital gain from the
1 30 following:
1 31 a. The sale of an equity investment in a business if all
1 32 of the following requirements are met:
1 33 (1) The equity investment is held for a period of thirty=
1 34 six months or more from the date of acquisition.
1 35 (2) A credit is not claimed on the investment under
2 1 section 422.33, subsection 12, 13, or 21.
2 2 b. The sale of a building, land, or machinery and
2 3 equipment used in the operation of the business if the
2 4 building, land, or machinery and equipment are held for a
2 5 period of thirty=six months or more from the date of
2 6 acquisition.
2 7 Sec. 3. APPLICABILITY DATE. This Act applies to capital
2 8 investments made in or by businesses on or after January 1,
2 9 2007, for tax years ending after that date.

EXPLANATION

2 11 This bill provides for the deduction of capital gains from
2 12 the sale of equity investments in businesses and from the sale
2 13 of buildings, land, or machinery and equipment of the business
2 14 if certain requirements are met. These requirements are that
2 15 the equity investment or the building, land, or machinery and
2 16 equipment are held for at least three years; and no credit or
2 17 other deduction for the capital investment or gain is allowed.
2 18 The bill applies to capital investments made in or by
2 19 businesses on or after January 1, 2007, for tax years ending
2 20 after that date.

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